

SITE DATA

3. Topography and soil:

The topography of the subject property is level.

4. Street patterns, widths and condition:

Residence Club Drive is a new private paved road within PGA West Residential and Golf Development.

5. Nuisance and hazards (e.g. odors, noise, vibrations, fog, smoke, smog, etc.):

None noted

6. Availability, cost and quality of utilities as compared with competing districts:

Similar to competing areas.

E. TREND ANALYSIS:

Conclusion:

The subject property is located in PGA West residential and golf resort and is the only fractional interest development in the area at the current time. The majority of homes in the neighborhood are upscale residences used as second vacation homes. residential and resort development. Although residential values have continued to fall in the Coachella Valley PGA West has remained relatively stable compared to other neighborhoods in the district.

Location:

The Residence Club within PGA West Residential and Golf Development

SITE DATA

Assessors Parcel Numbers: See Addendum**Census Tract Number:** 0456.03**Site Size, Shape, Dimensions:** Lot sizes vary in size and shape average lot size is 8,000 SF**ZONING:**

- **General Plan:** Medium Density Residential – City of La Quinta
- **Actual:** Medium Density Residential – City of La Quinta

Redevelopment Area: No**Easements, Encroachments:** Periphery utility easements encumbering subject property are assumed for this appraisal. (See Scope and Extent of the Data Collection Process, Page 14)**Street Frontage:** Residence Club Drive**Access:** Residence Club Drive**Soil and Subsoil Conditions:** There are no known negative soil or subsoil conditions, as evidenced by the existence of building improvements on other sites in the district. (See Scope and Extent of the Data Collection Process, Page 14)**Archeological Site:** No visual evidence of archaeological significance. (See Limiting Conditions in the Addendum of this report.)**Drainage:** Appears adequate. However, consideration will have to be given to water channeling from the northern parcels. (See Scope and Extent of the Data Collection Process, Page 14)**Containment in Floodplain:** The subject appears to be located in area shown as Flood Zone X defined as follows: “Areas outside of the 100 and 500 year flood plains”. Designated by F.E.M.A. Flood Insurance Rate Map, revised August 28, 2008, in Community Panel Number 060245 2242G. Flood Insurance will probably be required in this area. (See Scope and Extent of the Data Collection Process, Page 14)

SITE DATA

Environmental Issues:	It is assumed that there are no potentially hazardous materials (i.e. toxic waste) resulting from past use of the property, construction or maintenance of any buildings. Such a condition may or may not be present. The appraiser is not qualified to detect such substances. Therefore, if desired, the client should retain an expert in the field. (See Scope and Extent of the Data Collection Process, Page 14)
Seismic Data:	Subject property does not appear to be located within the Alquist-Priolo Special Study Zone according to Riverside County comprehensive General Plan Seismic-Geographic Map, revised April, 1988. However, subject is located within the III boundary of Groundshaking Zone based on distance to causative faults. Earthquake fault lines are common in the area. These are relatively inactive fault lines and any major damage due to an earthquake is not considered more likely for the subject property than for other properties in the area.
Blow Sand:	The site is not located in a blow sand area according Riverside County comprehensive General Plan Seismic-Geographic Map, revised April, 1988. (See Scope and Extent of the Data Collection Process, Page 14)
Noise:	No adverse noise that would impact value was noted. (See Scope and Extent of the Data Collection Process, Page 14)
Liquefaction Hazard Area:	No, according to Riverside County comprehensive General Plan Seismic-Geologic Map, revised April, 1988. (See Scope and Extent of the Data Collection Process, Page 14)
Wildlife & MSHCP:	The subject site is not located within a conservation area. (See Scope and Extent of the Data Collection Process, Page 14)
<u>IMPROVEMENTS:</u>	
• Off-Sites:	Residence Club Drive is a private residential paved road
• On-Sites:	3 Existing single family dwellings (21 Fractional Interests), 1 Existing Model Home, 2 single family dwellings partially complete(60%), 4 finished lots slabbed and stubbed up, 9 finished residential lots.
Utilities:	Public utilities including water, electricity, and telephone and cable are installed along Residence Club Drive and are installed to each finished lot and dwelling. (See Scope and Extent of the Data Collection Process, Page 14)

SITE DATA

Support Facilities: Good

ADJACENT USES:

North: The Hideaway Club

South: PGA West

East: PGA West

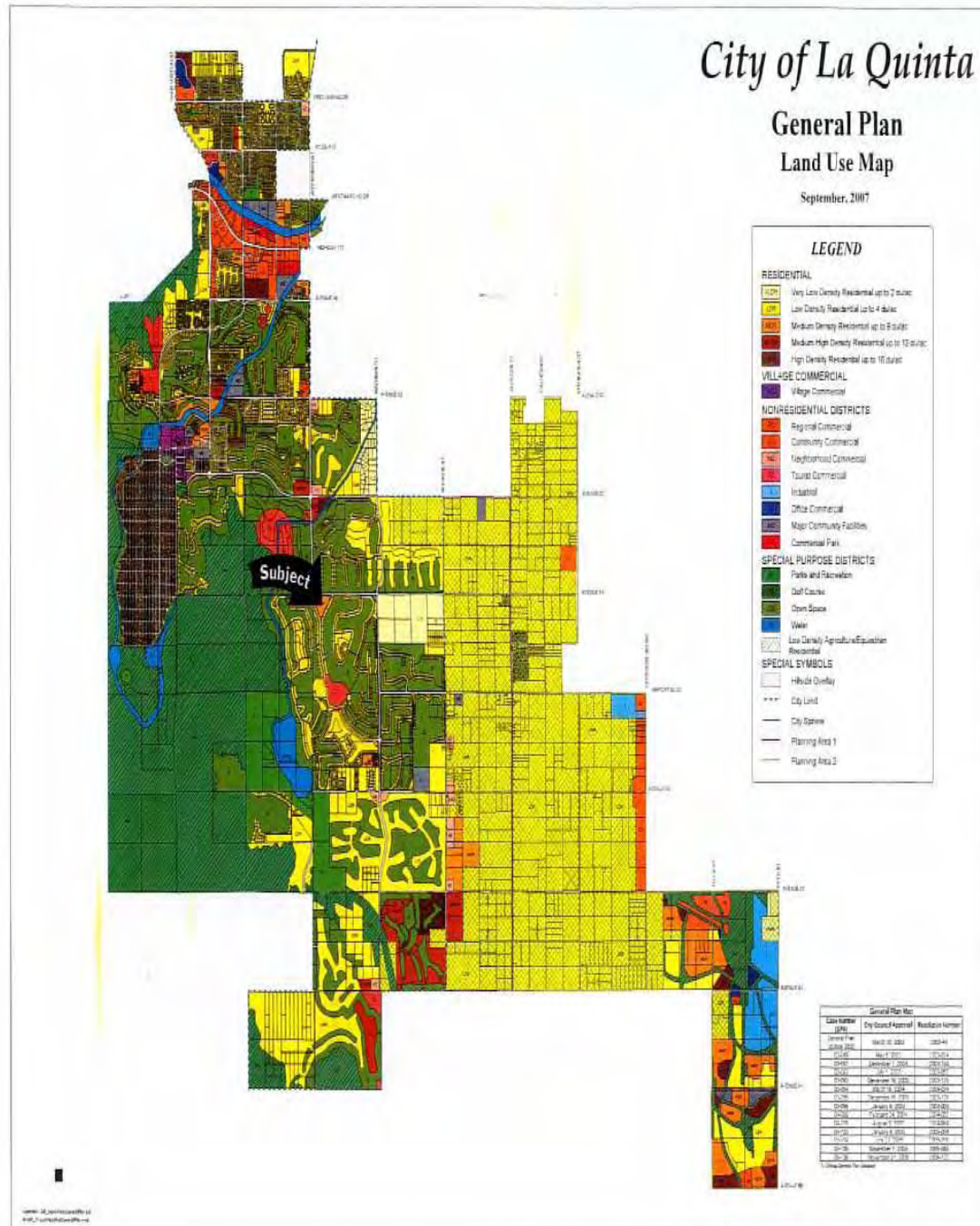
West: PGA West

Units of Comparison: Price per Fractional Interest

CONCLUSIONS:

The physical and functional characteristics of the subject meet the desires and standards of typical purchasers in the market. Overall, the site is considered good for a fractional interest vacation development when compared to competing sites in the market for development in the district.

ZONING MAP



ZONING

The subject is located within the City of La Quinta, CA. The General Plan and the Zoning Map shows the property designated Medium Density Residential.

TAX AND ASSESSMENT DATA AND ANALYSIS

In California, the law provides that real property is to be assessed at 100% of the property's appraised value. The 2009-2010 assessed valuation, tax rate and taxes for the subject property are as follows:

SUBJECT PROPERTY 2009-2010 ASSESSED VALUE

Real property taxation in the State of California is governed by Proposition 13, which was passed by the voters in June, 1978. The basic elements of Proposition 13 are as follows:

1. The tax rate was limited to 1% of the assessed value plus an additional 1/4% to cover the payment of debts previously approved by voters.
2. The assessed value of a property purchased prior to March 1, 1975 was fixed at that property's market value as of March 1, 1975. For a property purchased after March 1, 1975, the law requires the assessment to be based on the market value at the time of sale.
3. All assessed values can increase no more than 2% per year for inflation and/or appreciation.

Proposition 13 negated the concept of equalization whereby similar properties have similar property tax liabilities. Since there may be variance in the amount of property taxes being paid by otherwise similar properties, the appraiser used the final value conclusion of this report.

ESTIMATED REAL PROPERTY TAX AT APPRAISED VALUE "AS IS"

Estimated Value	\$23,577,000
X Tax Rate/100	1.11305
Assessed Taxes	\$266,538
Special Assessments	<u>N/A</u>
TOTAL ESTIMATED PROPERTY TAXES	\$266,538

The tax rate for 2009-2010 fiscal year is considered typical for comparable locations throughout the subject district and Riverside County.

VALUATION METHODOLOGY

Highest and best use is defined as "that reasonable and probable use that supports the highest present value, as defined, as of the effective date of the appraisal."

Alternatively, that use from among reasonably probable and legal alternative uses, found to be physically possible, appropriately supported, financially feasible, and which results in highest land value.

"The definition immediately above applies specifically to the highest and best use of land. It is to be recognized that in cases where a site has existing improvements on it, the highest and best use may very well be determined to be different from the existing use. The existing use will continue, however, unless and until land value in its highest and best use exceeds the total value of the property in its existing use..."¹

"Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. Also implied is that the determination of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from analysis represents an opinion, not fact to be found. In appraisal practice, the concept of highest and best use represents the premise upon which value is based..."¹

Highest and best use of a property is typically discussed as both vacant and as currently improved. In addition, there is discussion about the ideal improvement the property could support as indicated in the neighborhood analysis of this report. This ideal improvement can then be compared to the existing building for differences that would affect value.

HIGHEST AND BEST USE ("As Is"):

1. Legally Permissible:

The subject is located in the City of La Quinta. The current zoning and general plan designation for the subject property is medium density residential development 0-8 dwellings per acre. The legally permissible uses include low to medium density residential development.

2. Physically Possible:

The subject property is a fractional interest vacation development currently under construction in various stages of development ranging from finished residential lots to finished single family dwellings. The above legally permissible use is also physically possible.

¹ Byrl N. Boyce, Ed., Real Estate Appraisal Terminology (Cambridge, Mass: Ballinger Publishing Company, 1981), pp. 126-127.

VALUATION METHODOLOGY

3. Financially Feasible:

The Regional and Neighborhood analysis of this report indicated that the current development of fractional interest vacation development is a financially feasible use of the land.

4. Maximally Productive:

In the final analysis, a determination must be made as to which physically possible and legally permissible use would produce a financially feasible use that generates the highest net return on the land for the longest period of time. An analysis of every possible use for the subject property that might be approved by local government during the site specific planning is beyond the scope of this report.

The subject property consists of finished product for sale on the market (27 fractional interests) and the remaining development currently under construction in various stages of development (135 proposed fractional interests). Later in the appraisal the reader will note that the "As If Complete" Bulk or Wholesale Market Value of the proposed 135 fractional units \$32,359,000 is greater than the cost of production \$30,950,000 making it economically feasible to continue the development of the fractional interests in stages (18-20 fractional interests per phase).

5. Conclusion:

The highest and best use of the subject property would be to continue marketing and selling the existing fractional interests and then develop the remaining 135 fractional interests in phases (18 – 20 per phase).

Every real property is different and there are many types of value that can be estimated for any real property. For this appraisal assignment, the appraiser is estimating the subject's MARKET

VALUATION METHODOLOGY

VALUE at FEE SIMPLE interest. The definition of Market Value has been defined in the Purpose of the Appraisal section of this report. The subject property and type of value desired have been identified and so the appraisal problem has been defined.

In the appraisal process, it is my intention to present a properly supported value conclusion for the subject property. The market data, analysis, and conclusions presented in the report guide a reader in reaching a similar value conclusion as the appraiser.

In the LAND VALUE SECTION of an appraisal report, market data and other information pertaining to land value are presented along with an analysis of the data and reasoning that lead to the land value estimate. The factors that affect land value should be presented in a clear and precise manner. The narrative should lead the reader to the land value estimate.

Depending on a specific appraisal assignment, any of the following six methods may be used to value land.

1. Sales comparison technique
2. Allocation
3. Extraction
4. Subdivision development
5. Land residual
6. Ground rent capitalization

In the COST APPROACH, an estimated reproduction or replacement cost of the building and land improvements "as if completed" as of the date of appraisal is developed, together with an estimate of the losses in value that have taken place due to design and plan on neighborhood influences. To the depreciated building cost estimate, entrepreneurial profit and the estimated value of the land are added. The total represents the value indicated by the cost approach.

In the SALES COMPARISON APPROACH, the subject property is compared to similar properties that have been sold recently or for which listing prices or offering figures are known. Data for generally comparable properties is used and comparisons are made to demonstrate a probable price at which the subject property would be sold if offered on the market.

In the INCOME CAPITALIZATION APPROACH, the current rental income to the property is shown with deductions for vacancy and collection loss and expenses. The prospective net operation income of the property is estimated. To support this estimate, comparable properties may be reviewed along with available operation cost estimates. An applicable capitalization method and appropriate capitalization rates are developed and used in computations that led to value indications.

VALUATION METHODOLOGY

APPRAISAL METHODOLOGY (continued)

In the LAND RESIDUAL METHOD of land valuation is simply an extension of the previously indicated approaches and feasibility. Subtracting the hard and soft costs of development, as well as the developer's profit, from the present value of the future benefits indicates a residual to raw vacant land. The Land Residual Method is a good check of the results from previous value approaches.

1. The Land Residual Technique will be used to estimate the "as is" market value and the "as if complete" bulk or wholesale market value of the subject property
 - First, the Sales Comparison Technique will be used to estimate the Aggregate Retail of each individual fractional interest.
 - Next, a discounted cash flow analysis will be performed to estimate the "as is" Bulk or Wholesale Market Value of the 27 existing fractional units only (does not include existing model home).
 - Next, a discounted cash flow analysis will be performed to determine the "as if complete" Bulk or Wholesale Market Value of the 135 proposed fractional interests.
 - Next, another discounted cash flow analysis will be performed to estimate the "as is" market value of the proposed 135 fractional interests in their current stage of development.
 - Next, the cost of production will be performed to determine economic feasibility of the remainder of the development.
 - Lastly, the "as is" Bulk or Wholesale Market Value of the existing 27 fractional units will be added to the "as is" Market Value of the remainder of the development to obtain the total "as is" market value of the entire Residence Club development at its current stage of development.

LAND RESIDUAL TECHNIQUE

I. Land Residual Technique (Fee Simple) – The Residence Club

A. Retail Value of Each Fractional Interest using the Sales Comparison Technique

The “As Is” Bulk or Wholesale Market Value of the subject’s existing 27 fractional interests and the “As If Complete” Bulk or Wholesale Market Value of the proposed 135 fractional interests will be estimated by comparison of fractional interest sales within the subject’s development. The Sales Comparison Technique is a method estimating market value, where the subject property is compared with similar type properties that have recently sold. It is based on the economic principle that a prudent purchaser will not pay more for a property than the price of an equally desirable subject property would bring in the open market at that approximate point in time. Essentially, the sales comparison approach is a systematic procedure for carrying out comparative shopping. The premise is that the market will determine the price for the property being appraised in the same manner it determines the price of comparable competitive properties. Founded on the principle of substitution, this approach depends on detailed analysis of recent sales, current listing, purchase options, and offers to purchase as indicators of market attitudes concerning the ability of similar properties to satisfy anticipated objectives. Preferably all comparable sales are in the same or similar areas.

In using the Sales Comparison Technique, an attempt is made to simulate the price each comparable property would sell for on the date of the subject appraisal if it were identical to the subject property. Since no two properties are identical, this simulation normally requires sufficient market analysis to discern variances between the properties and the magnitude of adjustments to be made of dissimilarities. However, due to the uniqueness of the subject’s development. All of the single family dwellings are identical to each other including the model home. Each fractional interest will sell for the same price due to the fact that when one fractional interest is purchased, the owner has the right to use any of the dwelling for their intended stay. The following is a list of sold fractional units within the subject’s development.

Address	Buyer	Seller	Closing Date	Purchase Price
54-125 E. Residence Club Drive	Princenthal Family Trust	Residence Club	5/22/08	\$279,000
54-125 E. Residence Club Drive	Strauss Family Living Trust	Residence Club	6/24/08	\$279,000
54-125 E. Residence Club Drive	Steven & Sarah Stoecker	Residence Club	7/25/08	\$279,000
54-125 E. Residence Club Drive	Jason & Stacey King	Residence Club	10/03/08	\$279,000
54-125 E. Residence Club Drive	S & T Ranch, LLC	Residence Club	10/2/08	\$279,000

Total Aggregate Retail of 27 Existing Fractional Units

27 Fractional Units X \$279,000 = \$7,533,000

ABSORPTION STUDY

*Dozier Appraisal Company
Palm Desert, California*

LAND RESIDUAL TECHNIQUE

The Residence Club is a fractional interest vacation development located within PGA West Residential and Golf Development. The Residence Club is the only fractional interest development in the eastern Coachella Valley. Entry level and median price range residential markets have been unstable for the last 18 months. Vacation and second home residential market conditions have not been as unstable as the entry level and median price range markets.

The developer has to decide whether to incrementally increase the fractional values over time which would slow the absorption, or keep the price points the same and anticipate a faster absorption. According to The Residence Club Sales Office, the absorption is expected to be approximately 3 fraction interest sales per month during the peak vacation season of November through March. Consequently, the appraiser has estimate an absorption of approximately 2 to 3 fractional interest sales per month for the existing 27 fractional interests to be sold.

I. Land Residual Technique (Fee Simple - continued)

LAND RESIDUAL TECHNIQUE

B. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value

The required information and steps in this analysis are as follows;

1. Estimation of finished lot values previously estimated in the comparable sales analysis.
2. Estimation of absorption period.
3. Estimation of holding cost and marketing expenses.
4. Discounting of probable net revenues over the absorption period based on assumptions regarding appreciation/depreciation, holding costs, and discounting for cost of mortgage and equity capital.

Estimation of Absorption Period

The estimation of the proposed absorption period is one of the most important factors of the analysis and valuation of the subdivision. Differences in the forecast absorption period can cause significant changes in the conclusions of market value, and can affect the conclusion of (or lack of) economic feasibility.

The appraiser's estimate of an absorption period is typically formulated from a consideration of:

1. Historical absorption (demand) for similar properties (number of lots or percent of project per period).
2. Analysis of underlying demand and trends; i.e., are there likely to be as many (or more or less) buyers for this type of property in the future as there have been in the past?
3. Analysis of the present supply of competitive properties; i.e., how will they compete for the available market demand with the subject?
4. Analysis of the probable future demand. The appraisers must consider not only what has sold in the past and what is available as of the date of appraisal, but the probable supply of competitive offerings over the absorption period as well. Known supply (or assumed supply including the subject), as well as probable additions should be considered as potential competitive supply during absorption.
5. Comparison of probable future demand to probable future supply (including subject). It is important that market segmentation in the analysis be identified; i.e., the supply and demand levels for competitive super pads.

II. Land Residual Technique (Fee Simple - continued)

C. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value

LAND RESIDUAL TECHNIQUE

The subject property consists of 27 existing residential fractional interests.

There were cumulative, although fluctuating, decreases in residential construction through 1996 but some new construction of developments began in 1997. Many more developments started in 1998 and new home and condominium starts have increased each year until mid 2006. Currently there is an oversupply of new homes on the market. However, The Residence Club is the only fractional interest vacation development in the eastern Coachella Valley.

Based on the rate of sales of fractional interest vacation homes within the subject's development indicated approximately 2 to 3 fractional interests sold per month.

Estimation of Holding Costs

1. Property Taxes

Real property taxes on the subject property are typically incurred by the ownership of a subdivision. Often, the taxes during the first year of absorption reflect its underdeveloped or partially developed status as of the last assessment year. For the purpose of estimating deductions from gross income for ad valorem taxes, it is recognized that taxes can change over the absorption period but since the taxes are a projected rate indicated and deducted at each sale accordingly.

The taxes are typically prorated between buyer and seller at closing, and that the owner of the subdivision incurs the expense only to the extent of the time the property has been owned. This amount is estimated at \$2,200 per fractional interest per year.

2. Insurance

\$686 per fractional interest, is estimated for insurance.

3. Closing Costs/Legal/Accounting

To the extent that the owner of the lots with dwellings typically incurs expenses for deed preparation or other legal work (title work, recording fees, or other closing costs), these costs are recognized as deductions from periodic income from sales and in this case a rate of \$1,109 per fractional interest is utilized for this aspect.

5. Commissions

The sale of developed lots with dwellings often depends upon the payment of sales commissions to outside brokers, inside or on-site sales representatives, or a combination of both. Few of these properties "sell themselves," although the extent to which a sales staff is necessary or outside broker fees paid may vary widely. Therefore, it is considered reasonable to project a 4.35% commission to a sales representative, whether paid as a salary or as part salary and part commission or straight commission.

6. Overhead

LAND RESIDUAL TECHNIQUE

“Overhead” is a generic term which can refer to a number of different expenses. Certainly a development which maintains an on-site office with a full-time secretary, telephone, and utilities has “overhead”. To the extent that such is considered reasonable and necessary by the typical owner, it is recognized by the appraisers as a deduction from the gross income from sales. Often, it is when the on-site staff serves multiple functions (i.e., secretary/sales agent). While the categorization of expenses may present difficulties, the most concern is with a recognition of the total expenses that is applicable to the development of the subject type.

It is typical in this market to lump any “overhead” that is not covered in sales commissions, legal, accounting and closing cost, into the entrepreneurial profit/developer fee category of the analysis form small residential developments but in this case it is considered to be within the allowances form marketing and legal/accounting/closing.

8. Profit/Developer’s Fee

Developer’s profit and overhead is either shown as a line item to deduct in the subdivision’s discounted cash flow or it is included in the discount rate used to discount net proceeds. During the early 2000’s developer profits were generally in the 10% to 15% range. Currently, due to market conditions, reasonable profits are expected to be approximately 10% which is a separate line item not to be included within the discount rate utilized.

Subdivision Discount Rate

The appropriate discount rate for use in discounting the net income derived from the sale of lots and dwellings over time is the rate of return required in the market for suppliers of capital for investments of similar level of risk. Generally, discount rates are determined from one or more of the following sources:

1. Quoted Return Requirements from subdivision developers, land investors, and builders.
2. Allocation- An allocation should be made from the quoted profit requirements of area developers between developer profit (to completion) and entrepreneurial/equity yield after completion from sales efforts.
3. Comparison to Other Yields – Reported yield or return requirements of investors in other realty or new realty investments.

The appraiser must look at markets other than the real estate market and consider returns on alternate investments. The presumption is that in a capitalistic society, capital will flow to the highest return commensurate with risk, and that an increase in the return on the premier U.S. Treasury debt will ultimately require an increase in the return to all other investments.

C. Discounted Cash Flow Analysis

Discounted cash flow (DCF) analysis is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment’s income pattern, value change, and yield rate. The

LAND RESIDUAL TECHNIQUE

method is profit-or yield-oriented, simulating typical investor assumptions with formulas that calculate the present value of expected benefits assuming specified profit or yield requirements. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and complete recovery of the capital invested.

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained below:

Discounted Cash Flow and Land Residual Assumptions

Date of Appraisal:		December 1, 2009
Holding Period: (From Completed Fractional Interest Dwelling)		12 Months from Completion to Sell Out
Fractional Interest Value	\$279,000	Per Fractional Interest
Number of Fractional Interest to sell	27	
Absorption Per Month	2.25	Fractional Interests Sold Per Month
Total Aggregate Retail	\$7,533,000	
Annual Appreciation	-0-	CPI & Inflation as offset
Months to Absorb	12	From Completion to Sell Out
Present Value Factor (Property Discount Rate)		6% Bulk
Total Aggregate Retail Value Estimate:		\$7,533,000

Discounted Cash Flow Solving for the “As Is” Bulk or Wholesale Market Value of 27 Existing Fractional Interests.

LAND RESIDUAL TECHNIQUE

I. Land Residual Technique (Fee Simple) – The Residence Club

C. Retail Value of Each Fractional Interest using the Sales Comparison Technique

The “As Is” Bulk or Wholesale Market Value of the subject’s existing 27 fractional interests and the “As If Complete” Bulk or Wholesale Market Value of the proposed 135 fractional interests

LAND RESIDUAL TECHNIQUE

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Total Aggregate Retail of 135 Fractional Interests

$$135 \text{ Fractional Interests} \quad \times \quad \$279,000 \quad = \quad \$37,665,000$$

ABSORPTION STUDY

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LAND RESIDUAL TECHNIQUE

18 months. Vacation and second home residential market conditions have not been as unstable as the entry level and median price range markets.

The developer has to decide whether to incrementally increase the fractional values over time which would slow the absorption, or keep the price points the same and anticipate a faster absorption. According to The Residence Club Sales Office, the absorption is expected to be approximately 2.5 fraction interest sales per month during the peak vacation season of November through March. Consequently, the appraiser has estimate an absorption of approximately 2 to 3 fractional interest sales per month for the proposed 135 fractional interests to be sold.

I. Land Residual Technique (Fee Simple - continued)

D. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value

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LAND RESIDUAL TECHNIQUE

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Estimation of Absorption Period

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The appraiser's estimate of an absorption period is typically formulated from a consideration of:

6. Historical absorption (demand) for similar properties (number of lots or percent of project per period).
7. Analysis of underlying demand and trends; i.e., are there likely to be as many (or more or less) buyers for this type of property in the future as there have been in the past?
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10. Comparison of probable future demand to probable future supply (including subject). It is important that market segmentation in the analysis be identified; i.e., the supply and demand levels for competitive super pads.

I. Land Residual Technique (Fee Simple - continued)

D. Discounted Cash Flow Analysis to solve for the Bulk or Wholesale Market Value

The subject property consists of 135 proposed residential fractional interests.

There were cumulative, although fluctuating, decreases in residential construction through 1996 but some new construction of developments began in 1997. Many more developments started in 1998 and new home and condominium starts have increased each year until mid 2006. Currently

LAND RESIDUAL TECHNIQUE

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The taxes are typically prorated between buyer and seller at closing, and that the owner of the subdivision incurs the expense only to the extent of the time the property has been owned. This amount is estimated at \$2,200 per fractional interest per year.

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6. Overhead

"Overhead" is a generic term which can refer to a number of different expenses. Certainly a development which maintains an on-site office with a full-time secretary, telephone, and utilities has "overhead". To the extent that such is considered reasonable and necessary by the typical owner, it is recognized by the appraisers as a deduction from the gross income from sales. Often, it is when the on-site staff serves multiple functions (i.e., secretary/sales agent). While the categorization of expenses may present difficulties, the most concern is with a recognition of the total expenses that is applicable to the development of the subject type.

LAND RESIDUAL TECHNIQUE

It is typical in this market to lump any “overhead” that is not covered in sales commissions, legal, accounting and closing cost, into the entrepreneurial profit/developer fee category of the analysis form small residential developments but in this case it is considered to be within the allowances form marketing and legal/accounting/closing.

8. Profit/Developer’s Fee

Developer’s profit and overhead is either shown as a line item to deduct in the subdivision’s discounted cash flow or it is included in the discount rate used to discount net proceeds. During the early 2000’s developer profits were generally in the 10% to 15% range. Currently, due to market conditions, reasonable profits are expected to be approximately 10% which is a separate line item not to be included within the discount rate utilized.

Subdivision Discount Rate

The appropriate discount rate for use in discounting the net income derived from the sale of lots and dwellings over time is the rate of return required in the market for suppliers of capital for investments of similar level of risk. Generally, discount rates are determined from one or more of the following sources:

5. Quoted Return Requirements from subdivision developers, land investors, and builders.
6. Allocation- An allocation should be made from the quoted profit requirements of area developers between developer profit (to completion) and entrepreneurial/equity yield after completion from sales efforts.
7. Comparison to Other Yields – Reported yield or return requirements of investors in other realty or new realty investments.

The appraiser must look at markets other than the real estate market and consider returns on alternate investments. The presumption is that in a capitalistic society, capital will flow to the highest return commensurate with risk, and that an increase in the return on the premier U.S. Treasury debt will ultimately require an increase in the return to all other investments.

D. Discounted Cash Flow Analysis

Discounted cash flow (DCF) analysis is a method used to convert future benefits into present value by discounting each future benefit at an appropriate yield rate or by developing an overall rate that explicitly reflects the investment’s income pattern, value change, and yield rate. The method is profit-or yield-oriented, simulating typical investor assumptions with formulas that calculate the present value of expected benefits assuming specified profit or yield requirements. The discounting procedure presumes that the investor will receive a satisfactory return on the investment and complete recovery of the capital invested.

LAND RESIDUAL TECHNIQUE

The method is referred to as yield capitalization because it analyzes whether an investment property will produce the particular level of profit or yield required. The discounted cash flow assumptions are contained below:

Discounted Cash Flow and Land Residual Assumptions

Date of Appraisal:		December 1, 2009
Holding Period: (From Completed Fractional Interest Dwelling)		54 Months from Completion to Sell Out
Holding Period: (From “As Is” in various stages of development)		60 Months from “As Is” Status to Sell Out
Fractional Interest Value	\$279,000	Per Fractional Interest
Number of Fractional Interest to sell	135	
Absorption Per Month	2.5	Fractional Interests Sold Per Month
Total Aggregate Retail	\$37,665,000	
Annual Appreciation	5%	CPI & Inflation as offset
Months to Absorb	54	From Completion to Sell Out
Present Value Factor (Property Discount Rate)		7% Bulk; 9% Land Residual
Total Aggregate Retail Value Estimate:		\$37,665,000

Discounted Cash Flow Solving for the “As If Complete” Bulk or Wholesale Market Value of 135 Proposed Fractional Interests.

LAND RESIDUAL TECHNIQUE

Discounted Cash Flow Solving for the “As Is” Market Value of 2 Existing Dwellings (60% complete), 4 finished lots slabbed and stubbed up, 9 finished lots.

LAND RESIDUAL TECHNIQUE

E. Cost of Production Analysis

Production cost is the cost of construction at current prices of an exact duplicate, or replica, using the same materials, construction standards design, layout, and quality of workmanship, and embodying all the deficiencies, superadequacies, and obsolescence of the proposed subject Parcel improvements. In the analysis of the cost to develop subdivision Parcels (as if complete and ready for sale), the following have been recognized:

1. The “as is” market value of the land by Direct Sales Comparison .

2. Construction Costs:

LAND RESIDUAL TECHNIQUE

- a. Hard costs: Direct development costs associated with labor and materials of construction of streets, utilities (on and off site) and any other physical improvements.
 - b. Soft costs: Indirect development costs associated with non-construction items such as land planning, engineering, marketing, municipal fees, appraisal, financing fees, interest and other entitlement costs.
- 3. Developer's Profit:** That profit level necessary to induce a typical developer to undertake the necessary approval, planning and construction to the point of completion of the Parcel subdivision of a given type.

4. Cost Data Source:

Typical developer's cost estimates, as determined by local contractor bids and developer quotes and are utilized with reference to the "Marshall Valuation Service", published by Marshall and Swift Publication Company, is a nationally recognized cost estimating company located in Los Angeles, California. The costs calculated by this method represent a typical bidding target range. These costs are updated regularly to reflect changes and differences in construction costs by class of construction and location. This method estimates direct and indirect costs associated with construction development as noted below.

The cost of replacing a property is generally estimated on a square foot basis. The value of the land is then added to the replacement cost estimate. **This cost estimate includes the average architect's and engineers fees, including plans, plan check, building permits and survey to establish building lines and grades; also, normal interest on building funds during the period of construction and processing fees or service charges are included as well as sales tax on materials, normal site preparation, including excavation for foundation and back-fill, as well as, utilities from structure to lot line are figured for typical set-backs. The contractor's overhead and profit, including job supervision, workmen's compensation, fire and liability insurance, unemployment insurance and so forth are all included.**

II. Land Residual Technique (Fee Simple)

A. Cost of Production Analysis (continued)

4. Cost Data Source: (continued)

All other hard and soft costs to develop the land from its "as is" status will be taken into consideration in the cost of production. Additional costs, not included in the Valuation Service, such as entrepreneurial profit, are estimated and are being included as additional indirect costs."

5. Improvement Valuation

LAND RESIDUAL TECHNIQUE

The developer's cost estimates will be utilized to develop the cost of production cost estimate as cross-referenced by "The Marshall Valuation Service."

II. Land Residual Technique (Fee Simple - continued)

A. Cost of Production Analysis Calculations for 135 Proposed Fractional Interests

Developer's Cost of Production Analysis (To Completion but Prior to Sell Off)

Hard Cost		Subtotal	Total
• Off-Site Street Improvements	Included		
• On-Site (Cost to Complete 135 Fractional Interests)	\$10,693,000		
Subtotal On-Site Costs	\$10,693,000		
Total of Hard Costs		\$10,693,000	

LAND RESIDUAL TECHNIQUE

Developer's Incentive (10% of Hard and Soft Costs)		\$1,069,300	
Total Development Costs			\$11,762,300
Plus: "As Is" Market Value of Remainder of Development (See Page 68 for value)	\$17,443,000		
Plus: Developer's Incentive (10% of Land Value)	\$1,744,300		
Market Value Indication Via Cost of Production			\$30,949,600
Rounded Bulk or Wholesale Value Indication			\$30,950,000

It is concluded that the Bulk or Wholesale market value indication by the cost approach of the subject property "as if complete" is as follows:

TOTAL BULK OR WHOLESALE MARKET VALUE BY COST	\$30,949,600
TOTAL VALUE INDICATION FOR SUBJECT (rounded)	\$30,950,000

RECONCILIATION**III. RECONCILIATION AND FINAL ESTIMATE OF VALUE (Fee Simple)**

- **“As Is” Bulk or Wholesale Market Value of
27 Fraction Interests (Fee Simple)** **\$ 6,144,000**
- **“As Is” Bulk or Wholesale Market Value of the
The remaining 2 Existing Dwellings (60%)
Complete, 4 Finished Lots Slabbed & Stubbed Up
And 9 Finished Lots** **\$17,443,000**
- **“As If Complete” Bulk or Wholesale Market Value
Of 135 Proposed Fractional Interests (DCF)** **\$32,359,000**
- **“As If Complete” Bulk or Wholesale Market Value
Of 162 Proposed Fractional Interests (DCF)** **\$38,503,000**

Reconciliation involves analysis of the quantity and quality of all data in the report. The advantages, relevance, and market support for each of the approaches to value was considered. Conclusions were derived throughout the report explaining any discrepancies using reasonable judgment, tying it all together and relating the results to the subject property. Because the real estate market is imperfect, complete agreement of the approaches is not necessary. However, reasonable conclusions were reached using the groundwork established in the appraisal report.

The purpose of this appraisal is to estimate and report my opinion of the subject property's "as is" Bulk or Wholesale MARKET VALUE of the subject's 27 existing fractional interests, "As Is" of 2 existing dwellings (60% Complete), 4 finished lots slabbed and stubbed up, and 9 finished residential lots, if it were sold to a single buyer; and the "As If Complete" Market Value of 135 proposed fractional interests; and the "As If Complete" Market Value of 162 proposed fractional interests (including the model home fractional interests). The Sales Comparison Approach to value was not applicable for this appraisal. Therefore, all of the weight was given to the Land Residual Technique.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the "As Is" Market Value of the Fee Simple Interest in the subject's 27 Existing Fractional Interests (3 existing dwellings), 2 dwellings partially complete (60%), 4 finished residential lots slabbed and stubbed up and 9 finished residential lots, as of the effective date December 1, 2009, is measured in the amount of:

\$23,577,000* ¹

(TWENTY THREE MILLION FIVE HUNDRED SEVENTY SEVEN THOUSAND DOLLARS)

Allocated:

27 Existing Fractional Interests	\$ 6,144,000 (\$227,556/Fractional)
Remainder of Development	<u>\$17,443,000</u>
Total	\$23,577,000

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated 6 to 9 months.

RECONCILIATION

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the "As If Complete" Bulk or Wholesale Market Value (if all 135 fractional interests sold to one buyer) of the Fee Simple Interest in the subject's 135 proposed Fractional Interests, as of the effective date December 1, 2009, is measured in the amount of:

\$32,359,000* (\$239,696/Fractional)¹

(THIRTY TWO MILLION THREE HUNDRED FIFTY NINE THOUSAND DOLLARS)

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated 6 to 9 months.

Therefore, based upon my investigation and analysis of the data gathered with respect to this assignment, I have formed the opinion that the "As If Complete" Bulk or Wholesale Market Value (if all 162 fractional interests sold to one buyer) of the Fee Simple Interest in the subject's 162 proposed Fractional Interests, as of the effective date December 1, 2009, is measured in the amount of:

\$38,503,000* (\$260,297/Fractional)¹

(THIRTY EIGHT MILLION FIVE HUNDRED THREE THOUSAND DOLLARS)

Reasonable exposure time necessary to sell this property to a single purchaser prior to the date of this appraisal is estimated 6 to 9 months.

¹The reader will note that the appraiser estimated a marketing time of 10 to 12 months after the date of this appraisal. Consequently, due to current negative market conditions, if the property must be sold prior to this 10 to 12 month marketing period after the date of this appraisal, the sales price would be considered a liquidation value which could be significantly less than the appraised market value.

*Based on hypothetical conditions, extraordinary assumptions, and/or major highest and best use conclusions found in the letter of transmittal. If any of these hypothetical conditions, extraordinary assumptions, and/or major highest and best use conclusions prove to be false, the estimated "as is" market value of the subject property could be highly impacted.

ADDENDA

CURRICULUM VITAE OF THE APPRAISER

RAYMOND L. DOZIER, MAI

DOZIER APPRAISAL COMPANY
Resort and Urban Property Appraisers
73-350 El Paseo, Suite 206
Palm Desert, California 92260
Telephone (760) 776-4200
Fax (760) 776-4977
E-Mail Dozierappraisal@dc.rr.com

Education: University of Kentucky, B.A., 1974
Business Administration and Economics

Law Student, JD Candidate,
Saratoga University

Professional: MAI Member, Appraisal Institute
Committee Member, Experience Review for MAI Designation
Member, International Council of Shopping Centers (ICSC)
Member, National Association of Realtors
Member, California Association of Realtors
Member, Certified Divorce Planners

Expert
Witness: Superior Court of California
U.S. District Court
Federal Bankruptcy Court

Licenses: State of California Certified General Real Estate Appraiser #AG004590
State of California Real Estate Broker #01173680

Experience: Commercial Appraiser - Associate with 1972-1980
R.W. Karlee, MAI
Dozier Appraisal Company, Resort & Urban 1980 -
Property Appraiser - Owner

Faculty: Guest Instructor: University of Kentucky; Courses Taught Corporate Finance and
The Time Value of Money.

Continuing
Education: Subdivision Analysis; Litigation Valuation; Discounted Cash Flow; Economy and Local
Trends; Architecture and Construction; FIRREA Law; Current Issues in Appraising;
Summary and Restricted Reports; Special Purpose Property Appraisals – Going-
Concern & Business Value; Subdivision Analysis; Fast Food Restaurant Valuation;
“Benefits” in Eminent Domain Property Valuations; Attacking & Defending an Appraisal in
Litigation; Master Planned Communities Skilled Nursing Facilities; Valuation of
Detrimental Conditions; Real Estate Fraud and Appraiser’s Role.

Page 2 - Curriculum Vitae of the Appraiser

Partial List of Clients:

Legal and Accounting Firms:

Pillsbury, Madison & Sutro - L.A.
Rutan & Tucker - Costa Mesa, CA
Scott J. Zundel

Schlecht, Shevlin & Shoenberger
Murphy, Pearson, Bradley & Feeney - San Francisco
Best, Best & Krieger

Lending Institutions:

El Dorado Bank
American Commerce Bank
Home Savings of America
First Security Mortgage
Salt Lake City, Utah
Wells Fargo Bank
Palm Springs Savings Bank
First Community Bank
Palm Desert National Bank
Bank of the Desert
Bank of California
Transco Mortgage Company
Bank of Los Angeles

Union Bank
Valley National Bank of Arizona
Manufacture's Bank
PFF Bank & Trust
(Formerly Pomona First Federal)
First Security Bank
Farmer's Merchant Bank - Long Beach
Riverside National Bank
San Diego National Bank
Mitsubishi Bank, LTD
Midland Financial - Clearwater, FL
First Interstate Bank
Mitsubishi Bank, LTD

Government Agencies:

Bureau of Indian Affairs
Bureau of Land Management (BLM)
Palm Springs California Edison
Southern California Edison
Southern California Gas
City of Rancho Mirage
City of Coachella
City of Indio
City of Palm Springs
County of Riverside
U.S. Department of Agricultural
City of La Quinta
Riverside County Housing

City of Cathedral City
RTC - Contract
City of Palm Desert
City of Moreno Valley
FDIC
Department of Indian Affairs
Sacramento, CA
City Indian wells
Farmer Home Administration
State of California Department of Ins.
SBA Regional Office
Federal Aviation Administration (FAA)
Riverside County Flood Control

Schools:

Desert Sands Unified School District
Morongo Unified School District
Palm Springs Unified School District

Utilities:

Coachella Valley Water District
Morongo Water District
Cal - Trans
Desert Water Agency

Hospitals:

Eisenhower Medical Center
JFK Memorial Hospital
Riverside General Hospital
Desert Hospital

Corporations:

Bechtel Corporation
Motion Picture & TV Fund

Page 3 - Curriculum Vitae of the Appraiser

Non-Profit Organizations:

Berger Foundation
Joseph Drown Foundation

Insurance Companies:

Republic Western, Scottsdale, AZ

Real Estate Development & Engineering:

Wessman Construction Company	Strother Construction Company
American Properties Funding	Regency Homes - Peter Soloman
Del Webb California Corporation	Orr Construction
Lowe Development	Aqua Caliente Band of Cahuilla Indians
Ocean Properties - San Diego	Ruby Broadcasting Company
Oliphant & Lizza, Development Group	

Appraisal Functions Include:

Acquisitions, Bankruptcy, Bond Financing, Condemnation, Construction Defect, Disposition and Liquidation Decision Making, Abundance of Caution for Federally Related Transaction, Donation, Estate Tax Appeal, Exchange, Excess Land, Determination of Economic Feasibility and Market Absorption, Foreclosures, Litigation, Real Property Tax Appeal, Negotiation, Partnership Dissolution, Portfolio Review for Non-Profits, Redevelopment, Lending for Real Property and Going Concern, Group Rental for Long Term Leases, Determining Highest and Best Use of Undeveloped Acreage, Claims of Damage to Real Estate Caused by Other Party, USPAP Compliance Appraisal Review.

Typical Appraisal Assignments:

Public:

Airport Expansions, Assessment Districts, Electrical & Access R/W's, Flood Control Projects, Park Sites, Subterranean Pipeline Easements, Golf Courses, Proposed Prison Sites, Public Right -of - Way Dedications, Railroad R/W's, School Sites, Temporary Easements, Urban and Rural Mountainous Land, Indian and Leaseholds and Lease Fees, Mountainous Communication Tower Sites, IRS seizures on Questionable Properties, Desert Lands, Accretion Interests Caused By Changing River Courses, and RTC Deposition for Auctions.

Private:

Drug Rehab Centers, Cold Storage Facilities, Mobile Home Parks, Day Care Centers, Mini-Storage, Newspaper Buildings, Proposed Service Station, Car-washes, Apartment Complexes, Medical Office Buildings, Neighborhood & Community Shopping Centers, Residential and Commercial Subdivisions, Restaurant Going - Concern, Undeveloped Acreage, Highest and Best Used Studies, Highway Patrol Facilities, Churches, Special Purpose Properties, Trucking, Distribution Facilities, Golf Course Properties, Proposed Time-Share Developments, Aggregate Retail and Bulk or Wholesale Values of proposed Subdivision Developments, Retrospective Real Property Valuations, Motels, Parking Lots, Gypsum Mine Acres, Clothing Optional Resorts, R & D Industrial Facilities, Historical Buildings, Agricultural Going - Concern, Riverfront Properties, Ranch's and Equestrian Centers, Thoroughbred Racehorse Farms, Sports Clubs, Multi -Screen Movie Theaters, High-rise Office Buildings, Planned Unit Developments (PUD's), to Estimate Liquidation Value for Forced Sale or Auction Proceedings, Recreation Properties, Campgrounds, and Cemeteries.

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Interest and Value Types Appraised:

Fee Simple Estate

Leased Fee Estate

Lease Hold Estate

Sandwich Leasehold Estate

Life Estates

Vertical Estates (Subsurface & Air Rights)

Easements

Partnership Interests

- Joint Tenancy Value
- Tenancy by the Entirety Value
- Tenancy in Common Value

Market Rental Value

Specialized Fractional Ownership

- Condominium Interest
- Cooperative Interest
- Timeshare Interest

Legal Entities Affecting Ownership

- Stock Corporation Market Value
- Land Trust Beneficiary's Partial Interest
- Fixed Assets
 - Tangible Assets Value
 - Intangible Assets Value
 - Financial Assets Value
- General and Limited Partnership Interests
- Equity Syndications
- Closely Held Business
 - Going Concern Value (Real Property & Business Value)
 - Business Value only
- Liquidation Value vs Continued Operation of Business
- Use Value (as opposed to Value in Exchange)

Investment Value (individual's Investment Return Objectives)

Highest and Best Use Analysis Impacting Value

- Economic Feasibility Studies

Eminent Domain (State and Federal Rule)

- Just Compensation Estimates for Public Takings of Private Property Interests
- Determination of the "Larger Parcel"
- Other Legal Matters
 - Valuation of Detrimental Conditions, Construction Defects, etc.
 - Diminution of Value (Before and After)

DOZIER APPRAISAL COMPANY

**Resort and Urban Property Appraisers
Valuation and Financial Consultants**

73-350 EL PASEO, SUITE 206
PALM DESERT, CALIFORNIA 92260

RAYMOND L. DOZIER, MAI
CERTIFIED GENERAL APPRAISER
LICENSE # AG004590
STATE TAX ID # 61-1063795

TEL. (760) 776-4200
FAX (760) 776-4977
E-MAIL Dozierappraisal@dc.rr.com

COMPANY PROFILE

Dozier Appraisal Company is a real property and financial consulting firm specializing in litigation consulting and real property/business valuation services. Founded in 1980 as a real property /business valuation firm, Dozier Appraisal Company consists of a team of dedicated professionals with experience in financial and economic analysis, real property valuation, business valuation, condemnation, damage analysis and related disciplines.

REAL PROPERTY AND BUSINESS VALUATIONS SERVICES

Dozier Appraisal Company has extensive expertise in valuation of all types of complex real property interests and of close-held businesses. The firm provides assistance in valuation matters for:

Real Property

- Estates; Private Lending
- Commercial Lending
- Eminent Domain Proceedings
- Highest and Best Use Analysis
- Partial Interest Valuation
- Economic Feasibility
- Market Rental and Absorption

Businesses

- Marital Dissolution
- Community Property Settlement
- Partnership or Corporate Dissolution
- Estate, Gift and Other Tax Matters
- Stock Contributions to Charitable Organizations
- General Business Litigation

The firm has completed more than two thousand valuation assignments covering wide spectrum of industries including:

- | | |
|----------------------|-------------------------|
| • Resorts | • Hospitality |
| • Agriculture | • Manufacturing |
| • Contracting | • Professional Practice |
| • Distribution | • Retail |
| • Financial Services | • Sports & Leisure |
| • Public Agencies | • Services |

Page 2 – Company Profile

In addition, Dozier Appraisal Company has expertise in valuing intangible business assets, including:

- Going Concern Value
- Goodwill
- Existing Contracts
- Brand Names & Registered Trademarks
- Affiliation Agreements
- Franchises
- Firm Rights
- Copyrights
- Leasehold Interests
- Licenses
- Patents
- Employment Contracts
- Mailing Lists
- Water Rights
- Tax Credits for Past Losses

The Philosophy of Dozier Appraisal Company is to provide thoroughly, objective valuation analysis of real property interest and closely-held companies. The firm accepts many of its valuation assignments by stipulation of the parties to a legal proceeding in which the value of real property or business interests are at issue. Appraisals prepared by Dozier Appraisal Company have been successfully defended in the courts many times.

Community Property Matters

The valuation of a going business or professional practice in a community property division is a complicated process requiring a broad-based knowledge of the laws pertaining to community property business valuations. Although Dozier Appraisal Company does not render legal services, the firm has significant expertise in community property assignments, including the valuation of non-salable professional goodwill and calculations relating to the allocation of business appreciation between community and separate property (Pereira and Van Camp analysis).

Eminent Domain Matters

Dozier Appraisal Company has extensive experience in just Compensation estimates for public takings of private property interests. One of the most critical factors in determining the taking's "before" and "after" market value is the estimation of "what is the Larger Parcel"? Damages to the remainder due to a partial taking can be significant. Consequently, it is critical that the "Larger Parcel" be accurately determined. Dozier Appraisal Company can be instrumental in providing legal counsel consultation in review of opposition's appraisal; suggested line of questioning in valuation matters regarding depositions and trials; and a fair and thorough explanation of all influences that impact market value.

Page 3 – Company Profile

LITIGATION CONSULTING SERVICES

Dozier Appraisal Company provides a full spectrum of litigation support services to the legal community. The firm's area of expertise includes evaluation of economic damage resulting from business torts, breach of contract, personal injury, wrongful termination and other causes of action. Litigation support services range from document review and preliminary damage calculations to complete financial analysis and research culminating in a formal, written report or expert testimony.

Financial and Economic Analysis

Dozier Appraisal Company provides financial and economic analysis to estimate damages in civil litigation matters. The professional staff of Dozier Appraisal Company has expertise in damage analysis and computing lost profits for many types of cases, including:

- Antitrust
- Breach of Contract
- Business Interruption
- Business Torts
- Copyright Infringement
- Fraud and Embezzlement
- Lender Liability
- Patent Infringement
- Personal Injury
- Professional Liability
- Wrongful Death
- Wrongful Termination

Forensic Appraising Services

The firm performs investigative services in the areas of:

- Tracing separate and community funds
- Searching for unrecorded income
- Analyzing expenses and expenditures
- Reconstruction of incomplete or inaccessible records

Other Consulting Services

In addition to our other services, Dozier Appraisal Company can facilitate discovery, settlement negotiation and trial preparation by:

- Providing economic research
- Reviewing financial documents and selecting key items to be analyzed
- Conducting quantitative analysis for settlement negotiations

Page 4 – Company Profile

Other Consulting Services (Cont'd)

- Locating outside information sources
- Preparing questions for and interpreting responses of other financial witnesses
- Assisting in cross examination preparation
- Critiquing opinion and providing rebuttal testimony

Expert Testimony

The senior associates at Dozier Appraisal Company have significant litigation experience. The firm's philosophy is to present credible, defensible solutions to financial and economic issues in concise reports or through expert testimony, if required. The use of courtroom quality graphics helps to illustrate our findings in a readily understandable format.

ASSUMPTIONS AND LIMITING CONDITIONS

This appraisal report has been made with the following general and specific assumptions:

1. No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
2. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
3. Responsible ownership and competent property management is assumed.
4. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
5. All engineering is assumed to be correct. The plot plans and illustrative material in the report are included only to assist the reader in visualizing the property.
6. It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or in arranging for engineering studies that may be required to discover them.
7. It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in the appraisal report.
8. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a nonconformity has been stated, defined, and considered in the appraisal report.
9. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based.
10. The distribution, if any, of the total valuation in this report between land and improvements applies only under the stated program of utilization. The separate allocations for land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
11. Possession of this report, or a copy thereof, does not carry with it the right of publication.
12. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.

Page 2

Assumptions and Limiting Conditions

13. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm, with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without the prior written consent and approval of the appraiser.
14. Any value estimates provided in the report apply to the entire property, and any proration or division of the total into fractional interests will invalidate the value estimated, unless such proration or divisions of interests have been set forth in the report.
15. No legal description or survey was furnished so the appraiser utilized the county tax plat to ascertain the physical dimensions and acreage of the property. Should a survey prove these characteristics inaccurate, it may be necessary for this appraisal to be adjusted.
16. The forecasts, projections, or operation estimates contained herein are based upon current market conditions, anticipated short-term supply and demand factor, and a continued state economy. These forecasts are, therefore, subject to changes in future conditions.
17. The term "Market Value", as used in this report, as agreed upon by federal financial institutions in the United States of America is:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeable, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- Buyer and seller are typically motivated.
- Both parties are well informed or well advised, and acting in what they consider their best interests.
- A reasonable time is allowed for exposure in the open market.
- Payment is made in terms of cash in United States dollars or in terms of financial arrangements comparable thereto.
- The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Page 3

Assumptions and Limiting Conditions

18. The appraiser assumes no responsibility for economic, physical or demographic factors which may affect or alter the opinions in this report if said economic, physical or demographic factors were not present as of the date of the letter of transmittal accompanying this report. The appraiser is not obligated to predict future political, economic or social trends.
19. In preparing this report, the appraiser was required to rely on information furnished by other individuals or found in previously existing records and /or documents. Unless otherwise indicated, such information is presumed to be reliable. However, no warranty, either expressed implied, is given by the appraiser for the accuracy of such information and the appraiser assumes no responsibility for information relied upon later found to have been inaccurate. The appraiser reserves the right to make such adjustments to the analyses, opinions and conclusions set forth in this report as may be required by consideration of additional or more reliable data that may become available.
20. No opinion as to the title of the subject properties rendered. Data related to ownership and legal description was obtained from public records and is considered reliable. Title is assumed to be marketable and free and clear of all liens, encumbrances, easements, and restrictions except those specifically discussed in the report. The property is appraised assuming it to be under responsible ownership and competent management.
21. The appraiser assumes no responsibility for hidden or unapparent conditions of the property, subsoil, ground water or structures that render the subject property more or less valuable. No responsibility is assumed in arranging for engineering, geological, or environmental studies that may be required to discover such hidden or unapparent conditions.
22. The appraiser has not been provided any information regarding the presence of any material or substance on or in any portion of the subject property or improvements thereon, which material or substance possesses or may possess toxic, hazardous and/or other harmful and/or dangerous characteristics. Unless otherwise stated in the report, the appraiser did not become aware of the presence of any such material or substance during the appraiser's visitation of the subject property. However, the appraiser is not qualified to investigate or test for the presence of such materials or substances. The presence of such materials or substances may adversely affect the value of the subject property. The value estimate in this report is predicated on the assumption that no such material or substance is present on or in the subject property or in such property or in such proximity thereto that it would cause a loss in value. The appraiser assumes no responsibility for the presence of any such substances or materials on or in the subject property, nor for any expertise or engineering knowledge required to discover the presence of such substance or material. Unless otherwise stated, this report assumes the subject property is in compliance with all federal, state and local environmental laws, regulations and rules.

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Assumptions and Limiting Conditions

23. Unless otherwise stated, the subject property is appraised assuming it to be in full compliance with all applicable zoning and land use regulations and restrictions.
24. Unless otherwise stated, the property is appraised assuming that all required licensees, permits, certificates, consents or other legislative and/or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
25. No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area of the subject property was taken from sources considered reliable and no encroachment of the subject property is considered to exist.
26. No opinion is expressed as to the value of subsidiaries oil, gas, or mineral rights or whether the property is subject to surface entry for the exploration or removal of such materials, except as expressly stated.
27. Maps, plats and exhibits included in this report are for illustration only to serve as an aid in visualizing matters discussed within the report. They should not be considered as survey or relied upon for any other purpose, nor should they be removed from, reproduced or used apart from the report.
28. No opinions are intended to be expressed for matters which require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers.
29. Where the discounted cash flow analysis is utilized, it has been prepared on the basis of the information and assumptions stipulated in this appraisal report. The achievement of any financial projections or forecasts will be affected by fluctuating economic conditions and is dependent upon the occurrence of other future events that cannot be assured. Therefore, the actual results achieved may vary from the projections and such variation may be material.
30. Property values are influenced by a large number of external factors. The information contained in the report comprised the pertinent data considered necessary to support the value estimate. We have not knowingly withheld any pertinent facts, but we do not guarantee that we have knowledge of all factors which might influence the value of the subject property. Due to rapid changes in external factors, the value estimate is considered reliable only as of the effect date of the appraisal.

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Assumptions and Limiting Conditions

31. The liability of Dozier Appraisal Company, its owner and staff is limited to the Client only and to the amount of fees actually paid for the services rendered, as liquidated damages, if any related dispute arises. Further, there is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the Client, the Client shall make such party aware of all Limiting Conditions and Assumptions of the assignment and related discussions. The Appraiser is in no way responsible for any cost incurred to discover or correct any deficiencies of any type present in the property, physically, financially and/or legally. The Client also agrees that in case of a lawsuit (brought by lender, partner or part owner in any form or ownership, tenancy or any other party), Client will hold appraisers completely harmless for and against any liability, loss, cost or expense incurred or suffered by appraiser in such action, regardless of its outcome.

Competency Provision

32. The appraiser undertaking this assignment warrants that he is competent in properly identifying the appraisal problem and has the necessary knowledge and experience to complete the assignment.

Entire Fee Appraised

33. At the request of the Client, the valuation reported in the appraisal report relates to the value of the entire fee simple estate considered as whole. This valuation opinion is not divisible into portions of the subject property representing less than the entire fee simple estate. For example, it may not be assumed that half of the fee simple estate has a market value of half of the market value for the entire fee simple estate.

Appraisal Without Title Policy

34. A title policy was made available to the appraiser, although the appraiser assumes no responsibility for such items of record not disclosed by the appraiser's customary investigation.

Soils/Geologic Studies

35. No detailed soils or geological studies or reports were made available to the appraiser. Premises employed in this report regarding soils and geologic qualities of the subject property have been discussed with the Client and are consistent with the information made available to the appraiser. However, such premises are not conclusive and the appraiser assumes no responsibility for soils or geological conditions discovered to be different from the conditions assumed in this report.

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Assumptions and Limiting Conditions

Earthquake Potential

36. The property which is the subject of this appraisal is within a geographic area prone to earthquakes and other seismic disturbances. Except as specifically indicated in the report, no seismic or geological studies have been provided to the appraiser concerning the geologic and/or seismic conditions of the subject property. The appraiser assumes no responsibility for the possible effect on the subject property of seismic activity and/or earthquakes.

Testimony in Court

37. Testimony or attendance in Court or at any hearing is not required by the reason of this appraisal unless further authorization to fully appraise the property involved is granted to the appraiser at a fee to be determined prior to the commencement of such additional work.

Structural Deficiencies

38. The appraiser has personally inspected the subject property, and except as noted in this report, finds no obvious evidence of structural deficiencies in any improvements located on the subject property. However, the appraiser assumes no responsibility for hidden defects or non-conformity with specific governmental requirements, such as fire, building and safety, earthquake or occupancy codes, unless inspections by qualified independent professionals or governmental agencies were provided to the appraiser. Further, the appraiser is not a licensed engineer or architect and assumes no responsibility for structural deficiencies not apparent to the appraiser at the time of his visitation.

39. American with Disabilities Act of 1990 ("ADA") became effective January 26, 1992. I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

Termite/Pest Inspection

40. No termite or pest infestation report was made available to the appraiser. It is assumed that there is no significant termite pest damage or infestation, unless otherwise stated.

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Assumptions and Limiting Conditions

Personal Property Not Appraised

41. No consideration has been given in this appraisal as to the value of the property located on the premises considered by the appraiser to be personal property, nor has the appraiser given consideration to the costs of moving or relocating such personal property; only the real property has been considered in this appraisal.

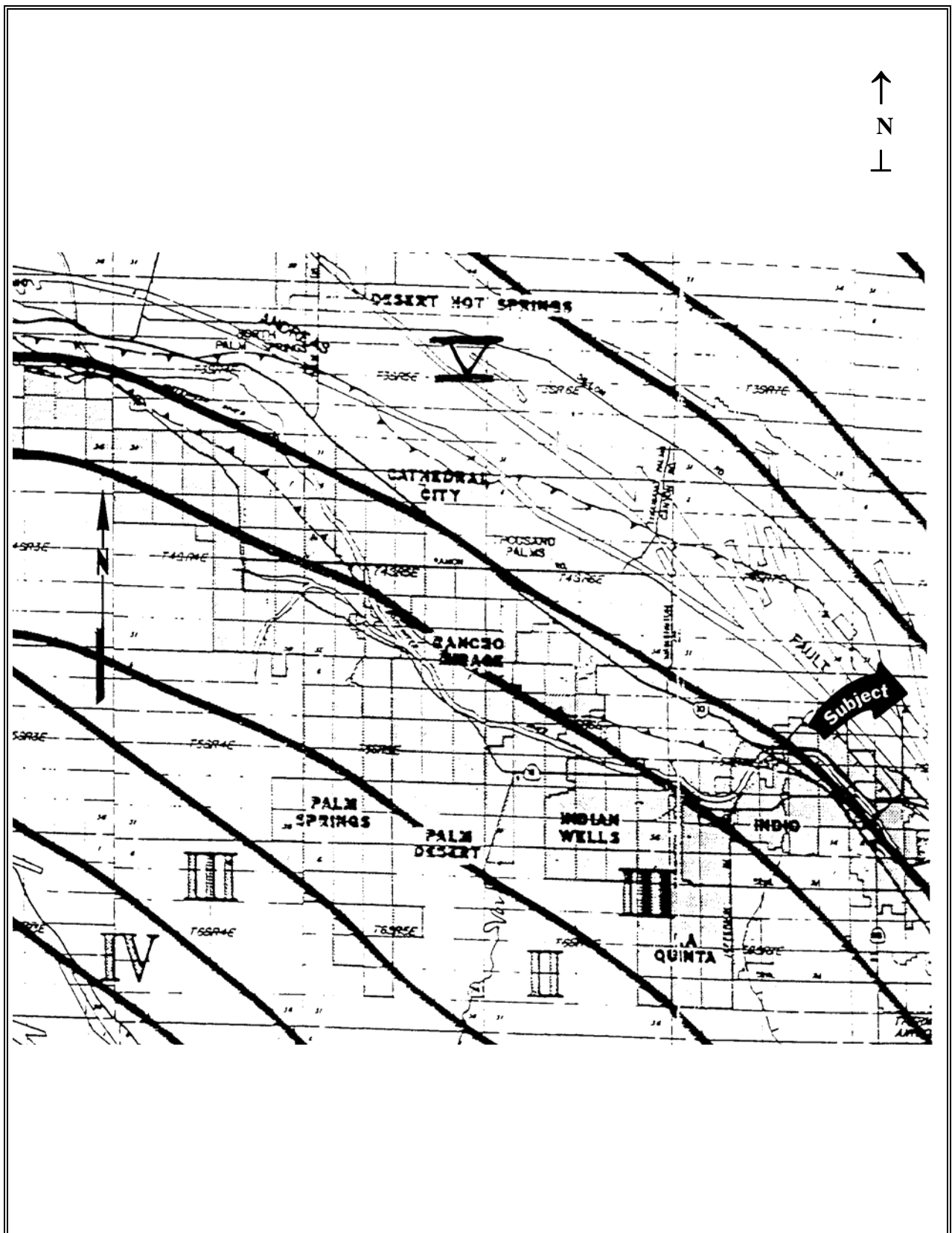
Asbestos

42. The appraiser is not aware of the existence of asbestos in any improvement on the subject property. However, the appraiser is not trained to discover the presence of asbestos and assumes no responsibility should asbestos be found in or at the subject property. For the purposes of this report, the appraiser assumes the subject property is free of asbestos and that the subject property meets all federal, state, and local laws regarding asbestos abatement.

Archaeological Significance

43. No investigation has been made by the appraiser and no information has been provided to the appraiser regarding potential archaeological significance of the subject property or any portion thereof. This report assumes no portion of the subject property has archaeological or historical significance
44. The value stated herein is not considered appropriate for a broad based ownership such as a syndication. It is understood and agreed that the appraisal report of valuation stated herein shall not be relied upon or utilized in any syndication or real estate security registration document.

SEISMIC MAP



Flood Insights test results for :**39281 DILLON RD, COACHELLA, CA 92236 (*)****Geocoding Accuracy:***(*) Location placed manually by user***Flood Zone Determinations***Test Description***SFHA (Flood Zone) Within 250 feet of multiple flood zones?**

Out

No

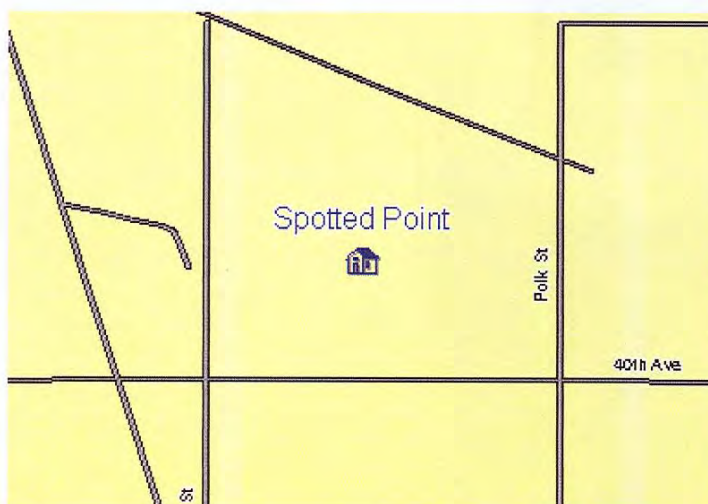
Community	Community Name	Zone Panel	Panel Date	Cobra
060245	UNINCORPORATED AREA	D 1650A	August 18, 2003	OUT

FIPS Code

06065

Census Tract

0458.00

Copyright 2000, First American Flood Data Services. All rights reserved.**FloodMap Legend****Flood Zones**

- Areas inundated by 500-year flooding
- Areas outside of the 100- and 500-year floodplains
- Areas inundated by 100-year flooding
- Areas inundated by 100-year flooding with velocity hazard
- Floodway areas
- Floodway areas with velocity hazard
- Areas of undetermined but possible flood hazards
- Areas not mapped on any published FIRM

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Preliminary Conservation Report

Enter your APN (Assessor's Parcel Number) below.
Do not use "-" or other non-numeric characters.

Example 123456789 NOT 123-456-789

601190001

Get the conservation report for my parcel

Your parcel does not appear to be in a conservation area.
If no records are returned and you typed the number correctly your parcel is *not* in a conservation area.

This is a PRELIMINARY report and is for informational purposes only.
Property owners with parcels INSIDE CONSERVATION areas should contact CVAG for detailed information.

For more information, you can visit the [CVAG](#) and [CVMSHCP](#) websites.



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***Note:** The above preliminary report is representative of all the other individual parcel reports for the subject property. Copies of the other eight reports are kept in the appraisers file for reference.